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MEMORANDUM

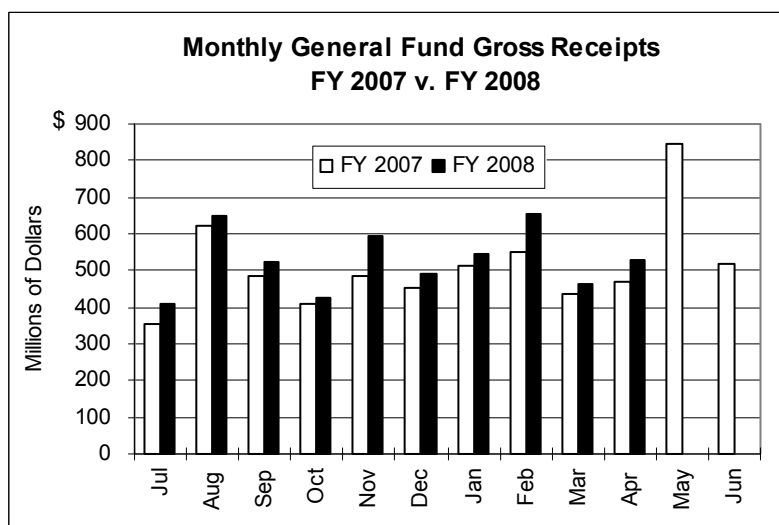
TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives

FROM: Dennis C. Prouty

DATE: May 1, 2008

Monthly General Fund Receipts through April 30, 2008

The attached spreadsheet presents year-to-date FY 2008 General Fund receipts with comparable figures for actual FY 2007. The figures can be compared to the FY 2008 estimate of \$6.678 billion set by the Revenue Estimating Conference (REC) on April 4, 2008. The FY 2008 estimate is an increase of \$540.2 million (8.8%) compared to actual FY 2007 gross cash receipts (excludes refunds, transfers, and accrued revenue adjustments). The next REC meeting has not been scheduled.



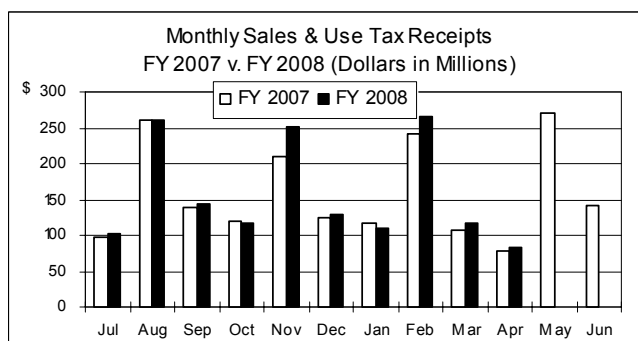
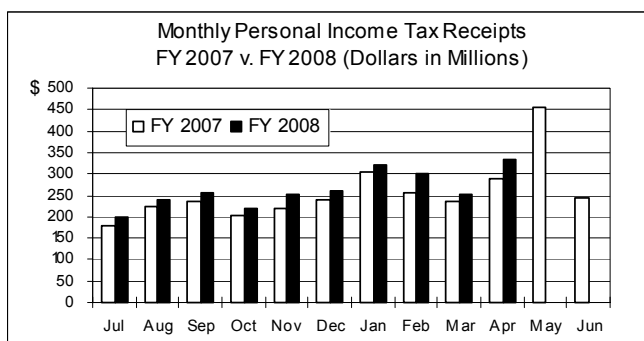
FY 2008 Compared to FY 2007

Fiscal year to date total gross cash receipts increased \$513.8 million (10.8%) compared to FY 2007. Major revenue sources contributing to the change include:

- Personal Income Tax (positive \$248.2 million, 10.4%)
- Sales/Use Tax (positive \$80.3 million, 5.4%)
- Corporate Tax (positive \$43.3 million, 13.5%)
- Other taxes (positive \$118.3 million, 45.9%)
- Other receipts (positive \$23.7 million, 7.7%)

Personal Income Tax revenues received in April totaled \$333.5 million, an increase of \$45.9 million (16.0%) compared to April 2007.

The FY 2008 REC Income Tax estimate of \$3.344 billion represents a projected increase of 8.4% compared to actual FY 2007. Year-to-date, total Income Tax receipts increased 10.4%. By subcategory, withholding payments increased \$132.4 million (6.9%), estimate payments increased \$48.6 million (16.0%), and payments with returns increased \$67.2 million (39.3%). The following chart compares FY 2008 monthly Income Tax receipts from the three Personal Income Tax subcategories with FY 2007.



Sales/Use Tax receipts received in April totaled \$82.4 million, an increase of \$5.5 million (7.2%) compared to April 2007.

The REC estimate for FY 2008 Sales/Use Tax receipts is \$2.000 billion, an increase of 4.7% compared to actual FY 2007. Through April, FY 2008 Sales/Use Tax receipts have increased 5.4%. The preceding chart compares FY 2008 monthly Sales/Use Tax receipts with FY 2007.

Corporate Tax receipts received in April totaled \$48.1 million, an increase of \$0.1 million (0.2%) compared to April 2007.

The REC estimate for FY 2008 Corporate Tax revenue is \$468.1 million, an increase of 10.2% compared to actual FY 2007. Through April, FY 2008 Corporate Tax receipts have increased 13.5%.

Other tax receipts received in April totaled \$33.6 million, a \$13.3 million (65.5%) increase compared to April 2007. Cigarette and Tobacco taxes contributed \$22.4 million to the increase, due to the mid-March 2007 Cigarette and Tobacco Tax rate changes. April should be the final month of significant cigarette and tobacco tax revenue increases related to the tax rate change. The REC estimate for other tax receipts is \$490.5 million, an increase of 34.8% compared to actual FY 2007. Through April, FY 2008 other tax receipts have increased 45.9%.

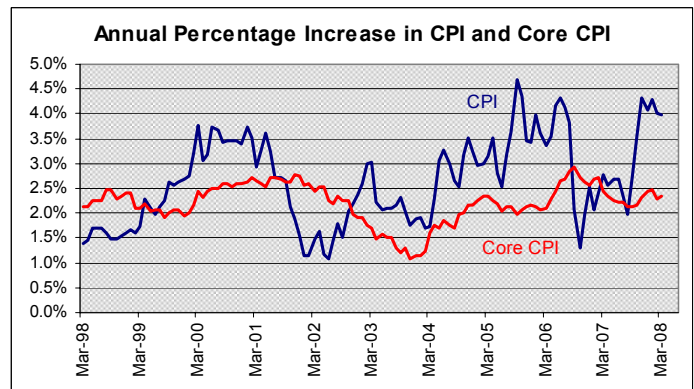
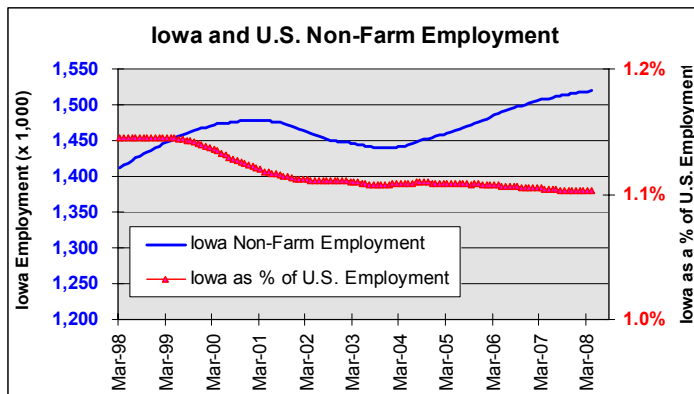
Other receipts (non-tax receipts) received in April totaled \$29.8 million, a decrease of \$8.9 million (- 23.0%) compared to April 2007. Reduced transfers from the Unclaimed Property Fund produced much of the decline for the month, along with reduced interest deposits.

The REC estimate for FY 2008 other receipt revenue is \$376.4 million, an increase of 6.4% compared to actual FY 2007. Through April, other receipts increased 7.7%.

Status of the Economy

Iowa non-farm employment was reported at 1,508,100 for the month of March (not seasonally adjusted), 11,700 higher (0.8%) than March 2007.

Iowa's 12-month moving average employment is presented in a graph below. The average non-farm employment pre-recession peak was February 2001 (1,478,700), and the recession low was September 2003 (1,439,900). The current average reading is now 1,519,800 so annualized Iowa non-farm employment is 41,100 above its 2001 peak and 79,900 above the 2003 low. The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1998 through 2002. The decline has slowed considerably since early 2002 but the trend remains negative.



Consumer prices increased 0.9% during March (not seasonally adjusted), the highest monthly increase since March 2007. The Consumer Price Index (CPI-U) through March 2008 was 213.5 (1983/84=100). The year-over-year change of 4.0% in March is the fifth straight month of at least 4.0%, something that has not happened since 1991. The overall inflation rate has generally increased since mid-2004, when the price of oil and other commodities started to rise significantly.

Core CPI, an inflation measure that excludes food and energy prices, increased in March and now stands at 2.4%. The core inflation rate declined considerably from the early 1990's through March 2004. The core inflation rate has not been below 2.0% since August 2004. For the two components excluded from the core rate, energy prices are up 17.0% and food prices are up 4.4% year-over-year.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://www.legis.state.ia.us/receipts/daily.html>.

GENERAL FUND RECEIPTS - FY 2007 vs. FY 2008 July 1 through April 30 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 07 Actual Compared to FY 08 REC Estimate		
	FY 2007	FY 2008	Year to Date % Change	April % Change	Actual FY 2007	Estimate FY 2008	Projected % Change
Personal Income Tax	\$ 2,389.3	\$ 2,637.5	10.4%	16.0%	\$ 3,085.9	\$ 3,343.8	8.4%
Sales/Use Tax	1,497.8	1,578.1	5.4%	7.2%	1,910.1	1,999.6	4.7%
Corporate Income Tax	321.7	365.0	13.5%	0.2%	424.6	468.1	10.2%
Inheritance Tax	62.8	62.2	-1.0%	0.0%	76.0	76.0	0.0%
Insurance Premium Tax	69.8	67.6	-3.2%	-100.0%	105.2	115.1	9.4%
Cigarette Tax	79.9	188.5	135.9%	115.8%	122.0	228.0	86.9%
Tobacco Tax	8.4	17.5	108.3%	35.7%	12.1	20.1	66.1%
Beer Tax	11.7	11.9	1.7%	-9.1%	14.3	14.5	1.4%
Franchise Tax	24.4	27.8	13.9%	54.8%	33.3	35.8	7.5%
Miscellaneous Tax	1.0	0.8	-20.0%	0.0%	1.0	1.0	0.0%
Total Special Taxes	\$ 4,466.8	\$ 4,956.7	11.0%	14.9%	\$ 5,784.5	\$ 6,302.0	8.9%
Institutional Payments	10.4	12.0	15.4%	-15.4%	12.9	12.8	-0.8%
Liquor Profits	50.3	57.4	14.1%	11.1%	64.8	70.5	8.8%
Interest	26.7	24.5	-8.2%	-76.2%	28.7	27.0	-5.9%
Fees	75.5	72.8	-3.6%	-2.2%	84.7	78.8	-7.0%
Judicial Revenue	53.5	72.2	35.0%	1.1%	66.9	89.5	33.8%
Miscellaneous Receipts	30.1	31.3	4.0%	-72.6%	35.7	37.8	5.9%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 4,773.2	\$ 5,287.0	10.8%	11.8%	\$ 6,138.2	\$ 6,678.4	8.8%